

Preliminary FY 21 Groundwater Production Charge Analysis Continued...

January 28, 2020

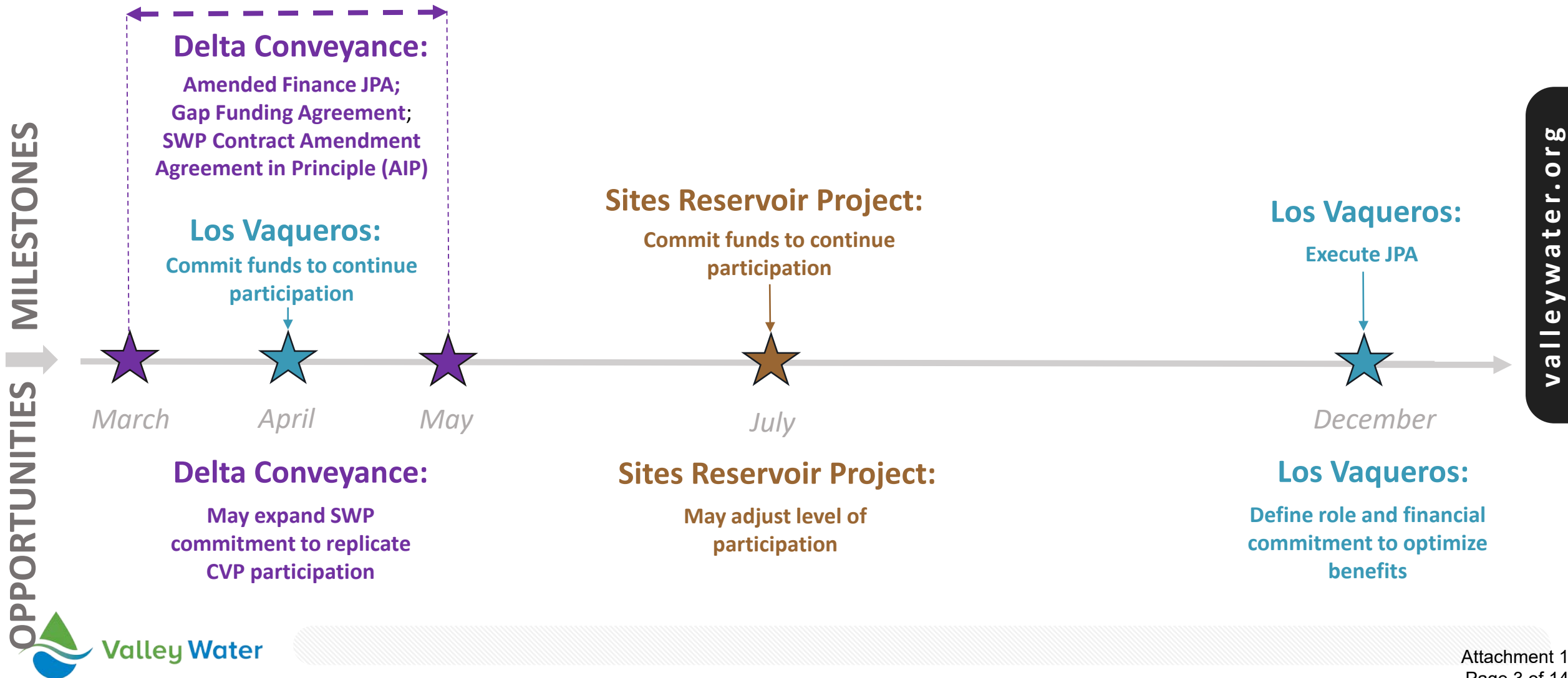
Board Member Comments on Jan 14, 2020

- Show scenario that incorporates investment in Los Vaqueros
- Assume success in achieving WIIN funds for Pacheco Reservoir Expansion or..
 - Replacement funding via partnerships or other grant monies
- Support for \$200/AF Treated Water Surcharge
- Discuss Purified Water Program with Recycled Water Committee

Comments from Recycled Water Committee on Jan 21, 2020

- Suggested Scenarios
 - Full suite of potential Purified Water Program Investments (PA/MV, Sunnyvale, City of San Jose, South County)
 - Reduced Program (PA/MV only)
 - Reduced Program plus \$200M placeholder for potential additional investments
- Support for Direct Potable Reuse (DPR)
- Little support for building WTP & delaying conveyance system to beyond FY 30
- Little support for assuming State Resiliency Program Grant funding

Board: Near-Term Water Supply Project Decisions



Investment Scenarios

1) Baseline: WSMP 80% Level Of Service

- ▶ Baseline Projects*
 - ▶ Almaden Valley Pipeline Replacement
 - ▶ Land Rights – South County RW Pipeline
 - ▶ SCADA, WTP, Distr. Sys. Implementation
- ▶ Delta Conveyance (State side)
 - ▶ Paid for by water charges, not SWP Tax
- ▶ ~~Delta Conveyance (CVP side)~~
- ▶ No Regrets Package
- ▶ Potable Reuse Phase 1 to produce 24KAF by FY 28
 - ▶ Based on \$690M capital project, District contributes 30% “pay as you go”
 - ▶ P3 reserve at \$10M in FY 21 growing to \$20M by FY 28
- ▶ Pacheco Reservoir
 - ▶ \$250M WIIN funding + WIFIA loan
 - ▶ Partner Agencies pay 20% of project
- ▶ Transfer-Bethany Pipeline
- ▶ South County Recharge
 - ▶ Timing = beyond FY 30
- ▶ \$200M warranty placeholder for dams & WTP's

3) Baseline, No WIIN + Revised Purified Wtr

- ▶ Baseline Projects*
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4) Baseline, No WIIN + Revised PW + CVP

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5) Baseline + Revised PW + CVP side

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Exceeds 80% LOS goal

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* Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program

Investment Scenarios

6) Baseline + Revised PW + CVP + LVE

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- ▶ **Potable Reuse Palo Alto Alt 1 to produce 13KAF by FY 30**
 - ▶ Based on \$614M IPR capital project, District builds, finances and operates (Not a P3)
 - ▶ P3 reserve at \$10M in FY 21 growing to \$20M by FY 28
- ▶ **Pacheco Reservoir**
 - ▶ \$250M WIIN funding + WIFIA loan
 - ▶ Partner Agencies pay 20% of project
- ▶ **Transfer-Bethany Pipeline + LVE**
- ▶ **South County Recharge**
 - ▶ Timing = beyond FY 30
- ▶ **\$200M warranty placeholder for dams & WTP's**

7) Baseline, Revised PW + CVP + \$200M

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 - ▶ P3 reserve at \$10M in FY 21 growing to \$20M by FY 28
- ▶ **\$200M IPR Placeholder for North County for new water supply by FY 30**
- ▶ **Pacheco Reservoir**
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 - ▶ Timing = beyond FY 30
- ▶ **\$200M warranty placeholder for dams & WTP's**

8) Baseline, Revised PW + CVP + \$650M

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 - ▶ Paid for by water charges, not SWP Tax
- ▶ **Delta Conveyance (CVP side)**
- ▶ **No Regrets Package**
- ▶ **Potable Reuse Palo Alto Agreement to produce 13KAF by FY 30**
 - ▶ Based on \$614M IPR capital project, District builds, finances and operates (Not a P3) P3 reserve at \$10M in FY 21 growing to \$20M by FY 28
- ▶ **\$600M IPR Placeholder for North & \$50M for South County for new water supply by FY 30**
- ▶ **Pacheco Reservoir**
 - ▶ \$250M WIIN funding + WIFIA loan
 - ▶ Partner Agencies pay 20% of project
- ▶ **Transfer-Bethany Pipeline +LVE**
- ▶ **South County Recharge**
 - ▶ Timing = beyond FY 30
- ▶ **\$200M warranty placeholder for dams & WTP's**

Preliminary Groundwater Charge Increase Scenarios

No. County M&I Groundwater Charge Y-Y Growth %

	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
May 2019	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	
Baseline	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
1) Baseline - Wtr Use at 230KAF	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
3) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW Srchrg	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
4) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW, + CVP	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
5) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
6) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + LVE	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
7) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$200M	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
8) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$650M	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%

So. County M&I Groundwater Charge Y-Y Growth %

	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
May 2019	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	
Baseline	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
1) Baseline - Wtr Use at 230KAF	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
3) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW Srchrg	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
4) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW, + CVP	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
5) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
6) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + LVE	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
7) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$200M	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
8) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$650M	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%



Preliminary Monthly Impact to Average Household Scenarios

No. County M&I Groundwater Charge Impact to Avg. Household

	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
May 2019	\$3.13	\$3.33	\$3.55	\$3.78	\$4.03	\$4.30	\$4.58	\$4.89	\$5.21	
Baseline	\$3.08	\$3.28	\$3.49	\$3.72	\$3.96	\$4.21	\$4.49	\$4.78	\$5.09	\$5.42
1) Baseline - Wtr Use at 230KAF	\$3.83	\$4.14	\$4.48	\$4.84	\$5.23	\$5.66	\$6.12	\$6.61	\$7.15	\$7.73
3) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW Srchrg	\$3.97	\$4.31	\$4.67	\$5.06	\$5.49	\$5.95	\$6.45	\$6.99	\$7.58	\$8.21
4) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW, + CVP	\$4.07	\$4.42	\$4.80	\$5.21	\$5.66	\$6.15	\$6.68	\$7.25	\$7.87	\$8.55
5) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP	\$3.79	\$4.09	\$4.42	\$4.77	\$5.15	\$5.56	\$6.01	\$6.49	\$7.01	\$7.57
6) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + LVE	\$3.83	\$4.14	\$4.48	\$4.84	\$5.23	\$5.66	\$6.12	\$6.61	\$7.15	\$7.73
7) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$200M	\$4.02	\$4.36	\$4.74	\$5.14	\$5.57	\$6.05	\$6.56	\$7.12	\$7.73	\$8.38
8) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$650M	\$4.54	\$4.98	\$5.46	\$5.98	\$6.55	\$7.18	\$7.87	\$8.63	\$9.46	\$10.37

So. County M&I Groundwater Charge impact to Avg. Household

	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
May 2019	\$1.14	\$1.22	\$1.31	\$1.40	\$1.49	\$1.60	\$1.71	\$1.82	\$1.95	
Baseline	\$0.78	\$0.82	\$0.85	\$0.89	\$0.94	\$0.98	\$1.03	\$1.07	\$1.12	\$1.18
1) Baseline - Wtr Use at 230KAF	\$0.78	\$0.82	\$0.85	\$0.89	\$0.94	\$0.98	\$1.03	\$1.07	\$1.12	\$1.18
3) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW Srchrg	\$0.84	\$0.89	\$0.93	\$0.98	\$1.03	\$1.08	\$1.14	\$1.20	\$1.26	\$1.32
4) Baseline - Wtr Use at 230KAF, No WIIN, Rvsd PW, \$200 TW, + CVP	\$0.88	\$0.92	\$0.97	\$1.03	\$1.08	\$1.14	\$1.20	\$1.26	\$1.33	\$1.40
5) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP	\$0.83	\$0.87	\$0.91	\$0.96	\$1.01	\$1.06	\$1.11	\$1.17	\$1.22	\$1.28
6) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + LVE	\$0.83	\$0.87	\$0.91	\$0.96	\$1.01	\$1.06	\$1.11	\$1.17	\$1.22	\$1.28
7) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$200M	\$0.83	\$0.87	\$0.91	\$0.96	\$1.01	\$1.06	\$1.11	\$1.17	\$1.22	\$1.28
8) Baseline - Wtr Use at 230KAF, Rvsd PW, \$200 TW, + CVP + \$650M	\$0.93	\$0.98	\$1.03	\$1.09	\$1.15	\$1.22	\$1.29	\$1.36	\$1.43	\$1.51



How does the preliminary analysis translate to New and Modified Zones?

	Existing W-2	
	FY 20	FY 21*
M&I Groundwater	\$1,374.00/AF	\$1,484.61/AF
Ag Groundwater	\$28.86/AF	\$30.22/AF
* FY 21 assumes Baseline Scenario with 230KAF water usage		

Modified W-2
FY 21*
\$1,485.29/AF
\$30.22/AF

5.0% decrease in FY21, then 4.7% projected average annual increases

8.9% increase in FY 21, then 8.9% projected average annual increases

30.0% decrease in FY 21, then 4.7% projected average annual increases

	Existing W-5	
	FY 20	FY 21*
M&I Groundwater	\$481.00/AF	\$504.00/AF
Ag Groundwater	\$28.86/AF	\$30.22/AF
* FY 21 assumes Baseline Scenario with 230KAF water usage		

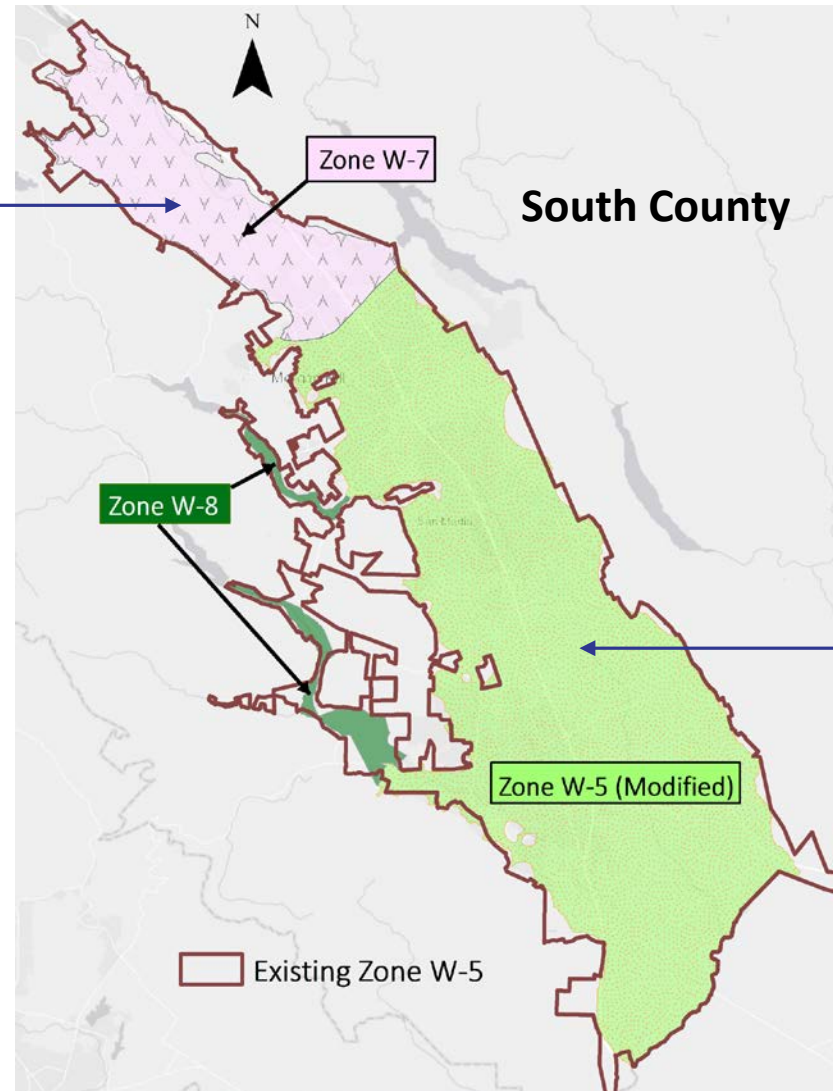
Modified W-5	New W-7	New W-8
FY 21*	FY 21*	FY 21*
\$457.00/AF	\$524.00/AF	\$337.00/AF
\$30.22/AF	\$30.22/AF	\$30.22/AF

- Ag groundwater charge remains consistent between Existing and Modified zones to align with Board direction to maintain Open Space Credit policy as is through FY 21

What is driving cost allocations between New and Modified Zones?

Zone W-7

- 22% of water use
- 56% of CVP, Anderson & Pacheco water distributed for groundwater recharge



Zone W-5

- 76% of water use
- 44% of CVP, Anderson & Pacheco water distributed for groundwater recharge

2020 Schedule

Jan 14	Board Meeting: Preliminary Groundwater Charge Analysis
Jan 15	Water Retailers Meeting: Preliminary Groundwater Charge Analysis
Jan 22	Water Commission Meeting: Prelim Groundwater Charge Analysis
Jan 28	Board Meeting: Preliminary Groundwater Charge Analysis Continued
Feb 11	Board Meeting: Budget development update & Set time & place of Public Hearing
Feb 28	Mail notice of public hearing and file PAWS report
Mar 18	Water Retailers Meeting: FY 19 Groundwater Charge Recommendation
Mar 24	Board Meeting: Budget development update
Mar 31	Landscape Committee Meeting
Apr 6	Ag Water Advisory Committee
Apr 8	Water Commission Meeting
Apr 14	Open Public Hearing
Apr TBD	Continue Public Hearing in South County
Apr 28	Conclude Public Hearing
Apr 29-30	Board Meeting: Budget work study session
May 12	Adopt budget & groundwater production and other water charges

- Scenario 1 with reduced water usage plus additional scenarios range from 8.1% to 9.6% annual increases in North County M&I groundwater charge, & 4.7% to 5.6% in South County
- Potential FY 21 increase ranges from \$3.83 to \$4.54 per month for the average household in North County, and \$0.78 to \$0.93 per month in South County
- Board direction to be incorporated into Report on Protection and Augmentation of Water Supplies (PAWS) scheduled for February 28, 2020

Investment Scenarios

As of Jan 14, 2020

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Delta Conveyance Project

Status:

- Technical analysis is proceeding to refine project design
- Bureau of Reclamation has not indicated degree to which it will support Central Valley Project (CVP) participation
- Staff anticipates re-initiation of negotiations to amend State Water Project (SWP) contract to include Delta Conveyance project in late January 2020

Cost Estimate:

\$M	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Gap Funding	7.8	7.8	3.9							
SWP 2.4% (State Side)				1.1	2.4	3.3	4.5	6.4	8.4	10.3
SWP 3.2% (CVP side)				1.4	3.1	4.2	5.8	8.2	10.7	13.2
Total	7.8	7.8	3.9	2.5	5.5	7.5	10.3	14.7	19.1	23.6

Included in
"Baseline" scenario

- No new project costs have been provided, cost estimates based on prior year information adjusted for timing
- Gap Funding based on 5.6% of \$350M spread over 2.5 years